

# Market Briefing: Youth Unemployment

Office of Social Impact Investment

10 July 2017

# Program

- 1 Welcome & introduction**
- 2 Update on OSII**
- 3 Social Impact Investment**
- 4 Youth unemployment**
- 5 Program logic - EY**
- 6 Risk and financial viability**

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# Social impact investments in NSW



## **Newpin Social Benefit Bond**

- 700 families (1,860+ people)
- Restoring children from out of-home care to their families
- \$7m Social Benefit Bond
- 12.2% p.a. return to investors



## **The Benevolent Society Benefit Bond**

- 400 families (1,360+ people)
- Preventing children from entering into out of-home care
- \$10m Bond
- ~6% or 10% return to investors



## **On TRACC Investment**

- 3,900 parolees
- Reduce re-offending
- Payment by Results contract
- Launched 1 September 2016

# Social impact investment in NSW



## **Resolve Bond**

- 530 mental health patients
- \$7m Bond
- Unique focus on peer-to-peer support
- Launch 1 October 2017



## **Silver Chain Investment**

- 8,300 palliative care patients
- Care at home and/or in the community
- Launched July 2017

# Update on OSII



+5

Social Impact  
Investments



Engaging the  
market



Preparing the  
market



Resources



Intergovernmental  
taskforce on SII



Expert Advice  
Exchange

# Update on OSII



+5

Social Impact  
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# You told us you would like....

- ✓ More guidance on submitting strong RFPs
- ✓ More time to develop RFPs
- ✓ Making social impact investment accessible to a range of organisations
- ✓ Streamline and speed up the development of investments

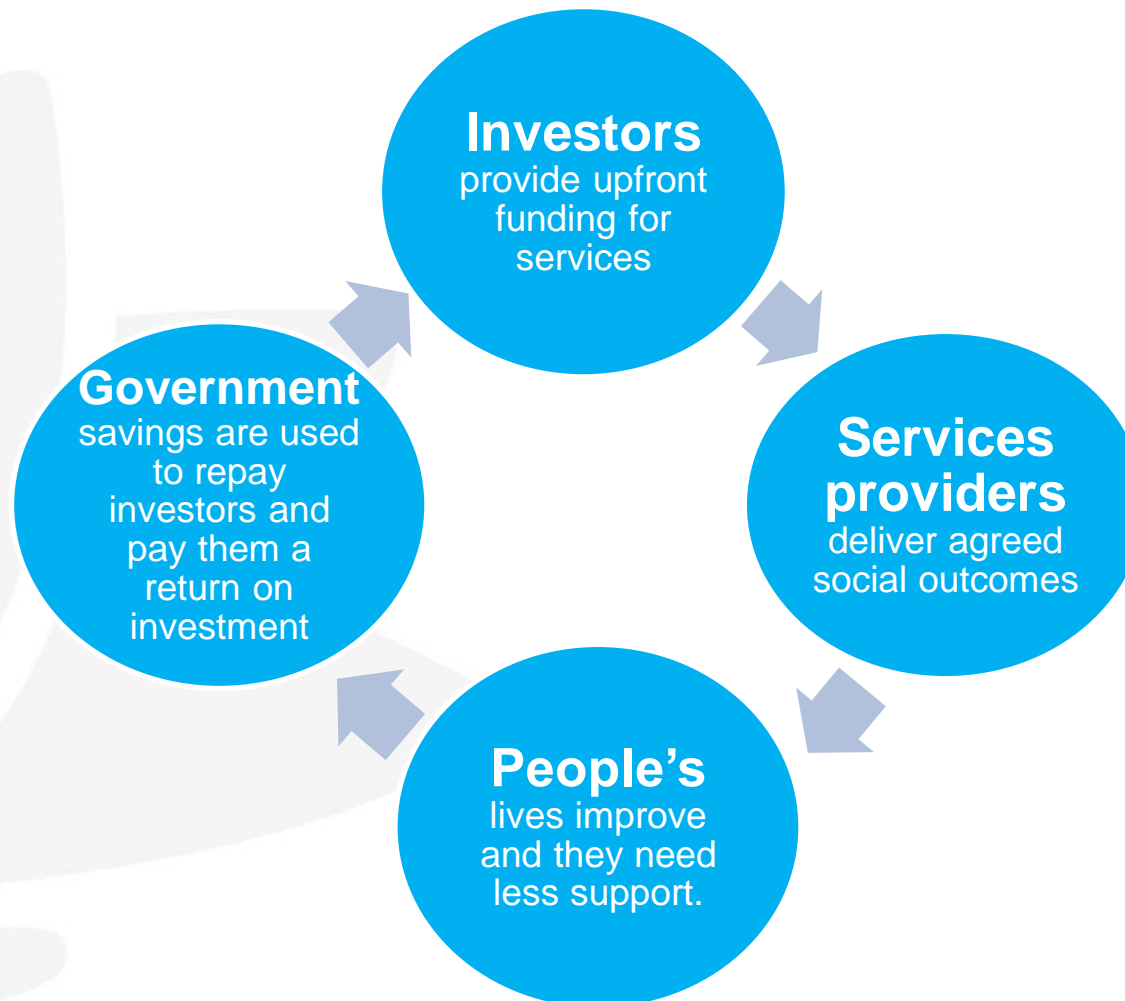


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# What is social impact investing?

Social impact investment seeks to generate **social impact** alongside **financial return**.



# Features of social impact investment



## Outcomes

Measuring and paying for outcomes



## Innovation

Setting incentives and removing input controls on services



## Partnerships

Sharing risks and benefits across sectors



## Investment

Shifting spend away from high cost acute services to prevention

# Different models of impact investment

## Outcome-focussed grants

- Grants are provided on the basis that the service or project is evaluated and the outcomes achieved are measured

## Payment-by-results (PBR) contracts

- Government pays a provider to deliver a public service based on the results achieved
- SBBs are a special type of a PBR contract

## Social benefit bonds (SBB)

- A financial instrument that pays a return based on the achievement of agreed social outcomes

## Layered investments

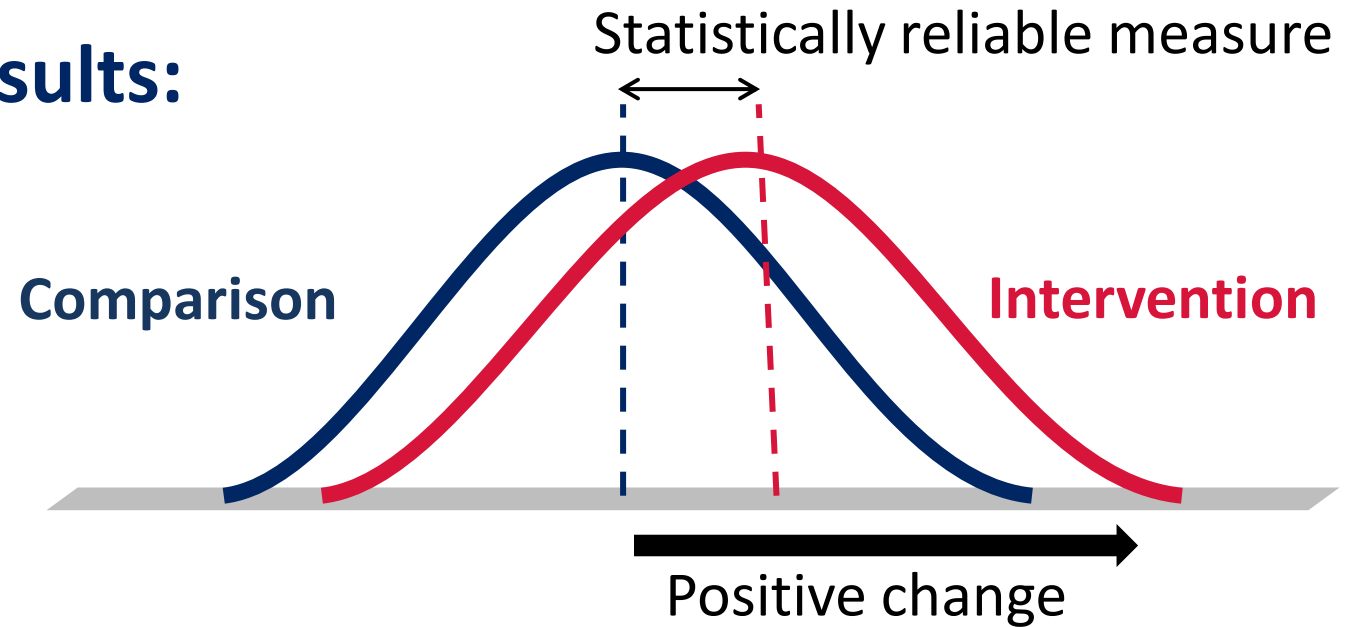
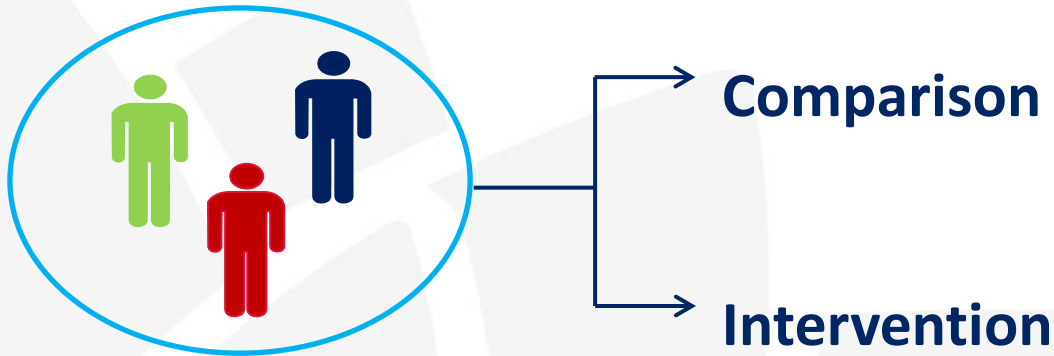
- Structured to combine different types of capital in non-traditional ways - disrupting the traditional risk-return equation

## Pooled investments

- Combine smaller amounts and different types of capital in one place to create more capacity to invest

# Measuring outcomes

## Understanding payment by results:



12 month KPI  
measure

24 month KPI  
measure

50-75 months  
(end of term)  
KPI measure

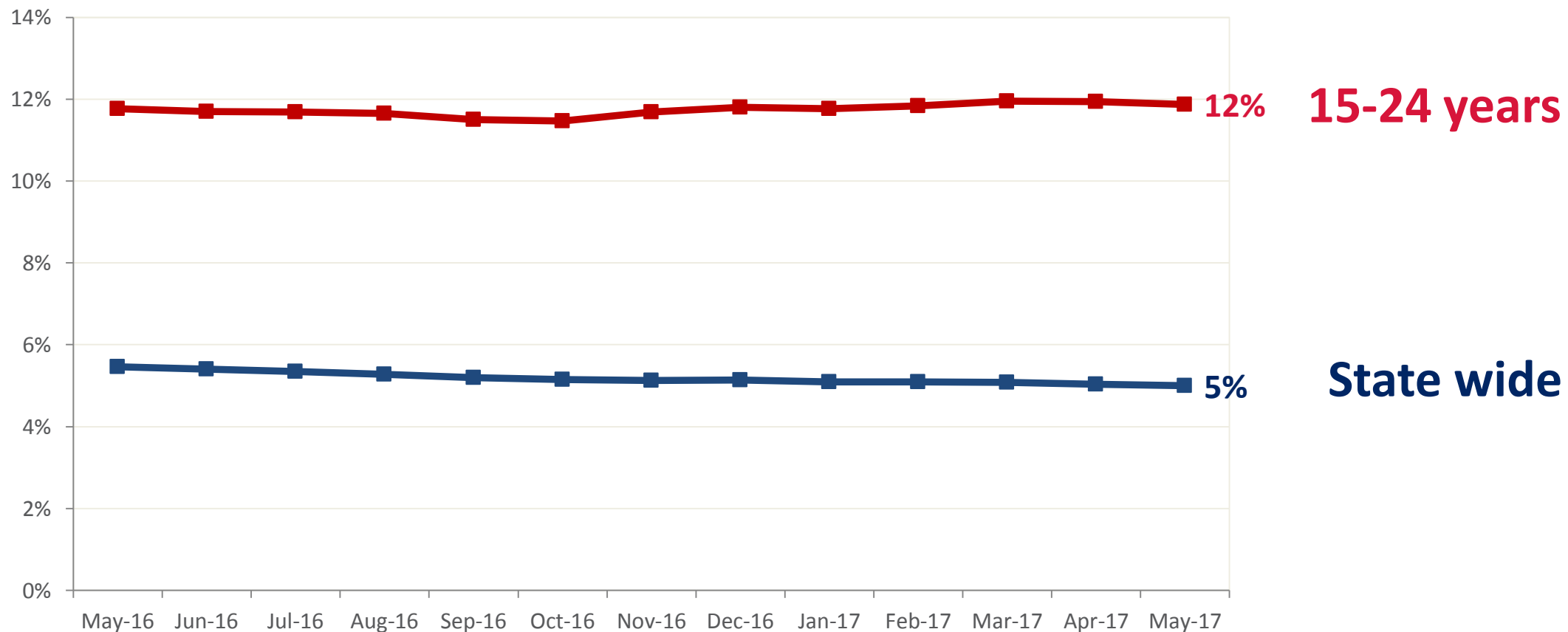
Performance payments linked to measurement  
of comparison and treatment group outcomes

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# Youth unemployment in NSW

## NSW unemployment rate, May 2016 to May 2017



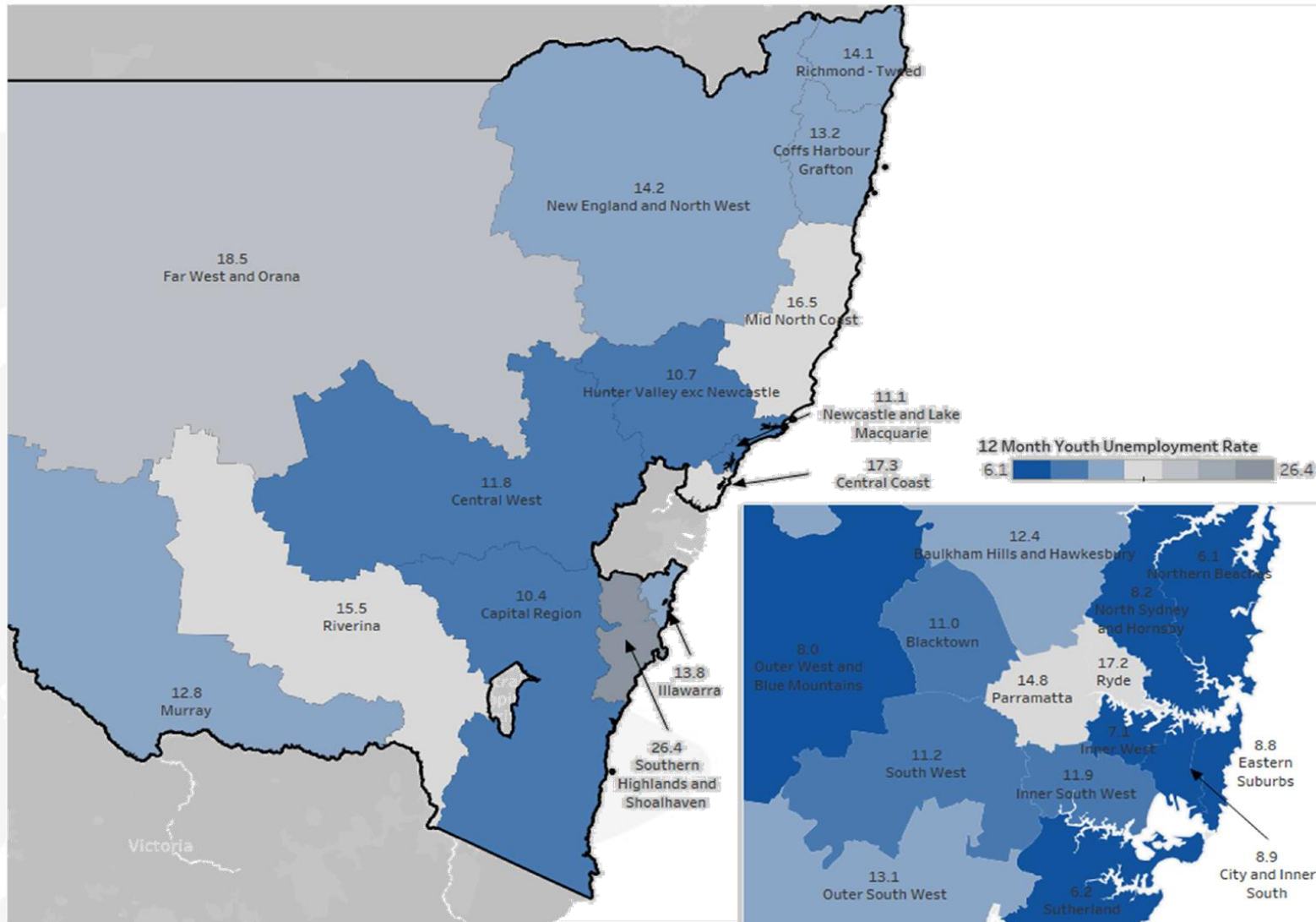
Source: ABS, *Labour Force, May 2017, non-seasonally adjusted 12 month moving average*

# Context – youth unemployment

- Youth at 15 – 24 years of age
- NSW has the largest number of unemployed youth (70,000) in Australia
- Youth unemployment or underemployment creates:
  - Barrier to independence
  - Negative social and financial outcomes
  - Increases the risk of not gaining stable and sustainable employment in the future



# Where youth are unemployed in NSW



Source: ABS, *Labour Force*, May 2017, non-seasonally adjusted 12 month moving average

# High need cohorts



**Disability**



**Aboriginal**



**Caring  
responsibilities**



**Low  
socioeconomic  
status**



**Low educational  
attainment**



**Contact with the  
justice system**

## Primary outcome:

- Increase vulnerable youth successfully transitioning into sustained employment

## Secondary outcomes:

- More youth completing secondary school education and/or a recognised qualification
- More youth acquiring work experience
- More youth gaining social and economic wellbeing and independence
- Less youth interacting with the justice system
- Less youth at risk of homelessness
- A decrease in the average time looking for work

## Outcome:

- Youth successfully transition into sustainable employment

## Metrics:

- Increased time spent in sustained employment
- Increase in employment income
- Reduction in average time looking for employment
- Increase in the number of youth establishing their own sustainable business
- Decreased welfare payments paid to people receiving the intervention

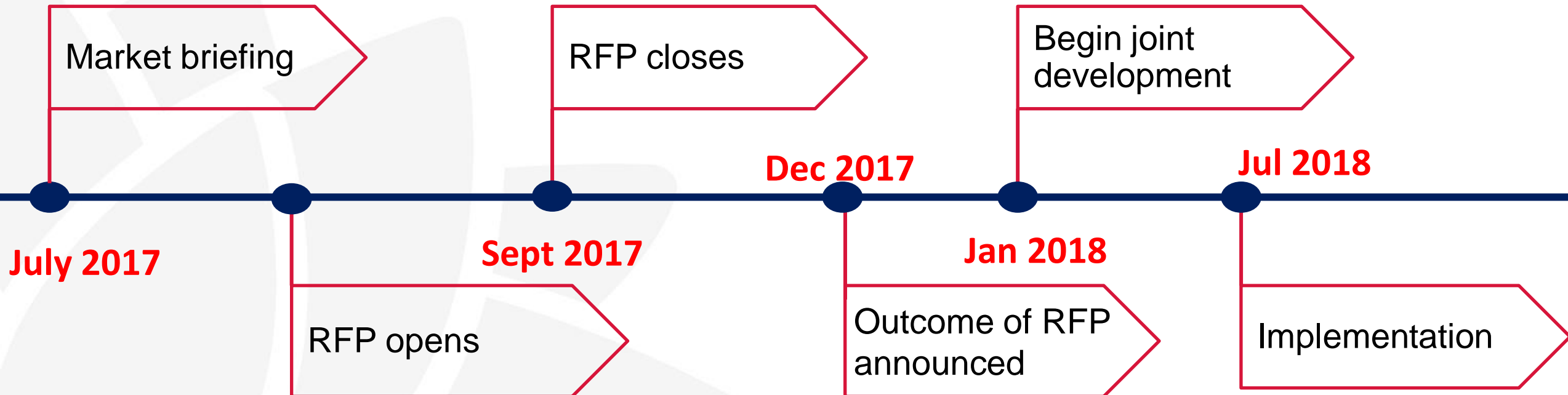
# Youth Unemployment Landscape



**Austin Whitehead**

Director, Programs and Commissioning  
NSW Department of Industry

# Timeframe



INDICATIVE ONLY

- 2016 Statement of Opportunities
- Principles for social impact investment proposals to the NSW Government
- Technical Guide: Outcomes measurement for social impact investment proposals to the NSW Government
- Previous RFPs and Lessons from 2015 RFPs
- Sample joint development agreement

# Questions

A large, faint, light grey graphic of the Sydney Opera House is positioned on the left side of the slide, serving as a background element.



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# Partnership approach

Social impact investments seek to:

- Bring the strength of each sector
- Align the interests of stakeholders around a common goal
- Achieve an appropriate sharing of risks and benefits across stakeholders



# Stakeholder considerations

## Government

- Better outcomes
- Value for money
- Willingness to pay FFS to build outcomes contracting

## Investors

- Seeking social and financial returns
- Tolerance to capital loss
- Ability to assess risks

## Service providers

- Understanding of outcomes achievement
- Willingness to share risk (skin in the game)
- Taking risks that you can't control

# Feasibility – key criteria

## Target cohort

- Objective
- Inclusive
- Sufficiently large

## Outcome metrics

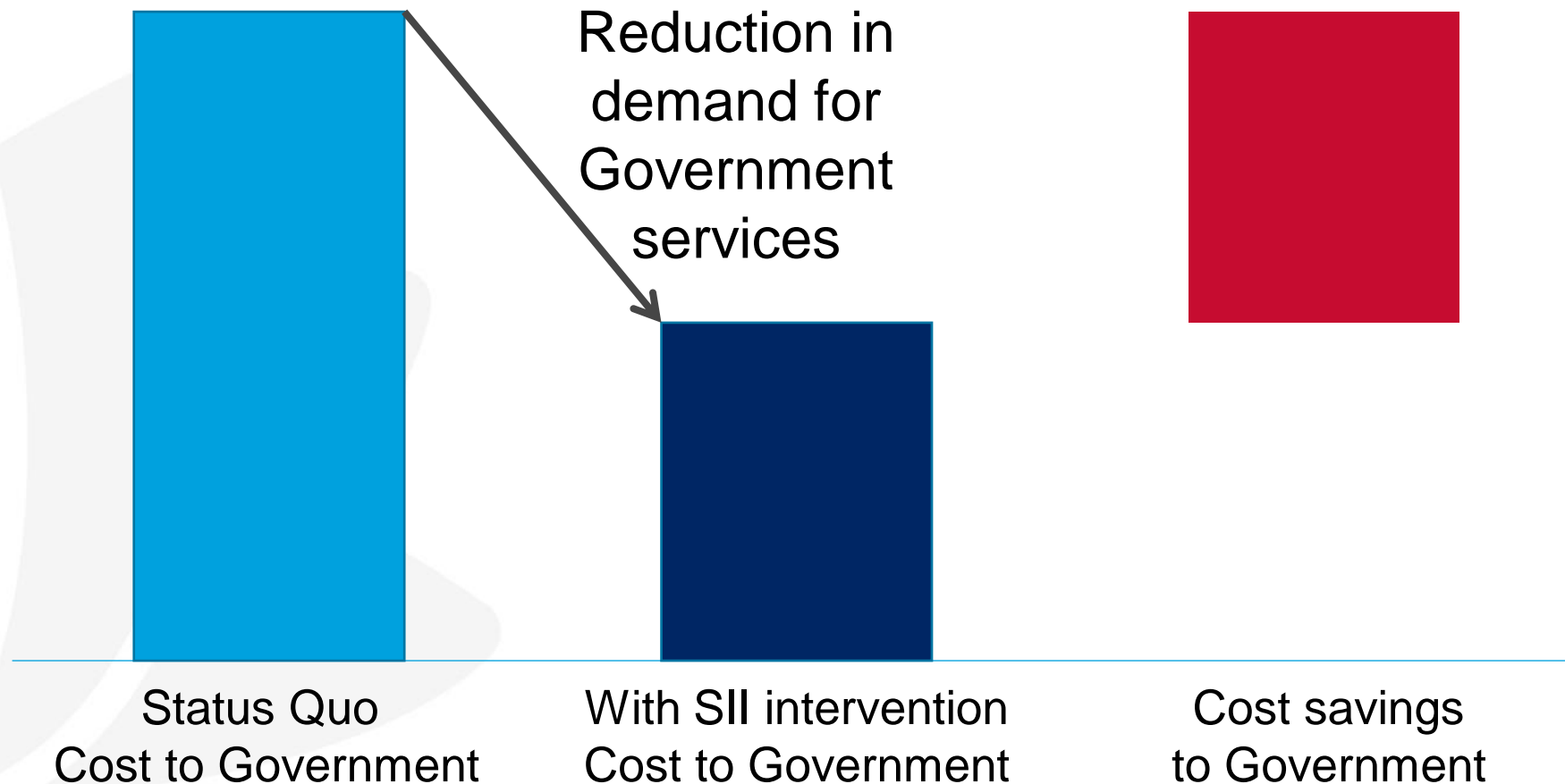
- Simple
- Objective
- Timely
- Thoughtful
- Reliable
- Collectible

## Service provision

- Preventative
- Additive
- Sufficient evidence

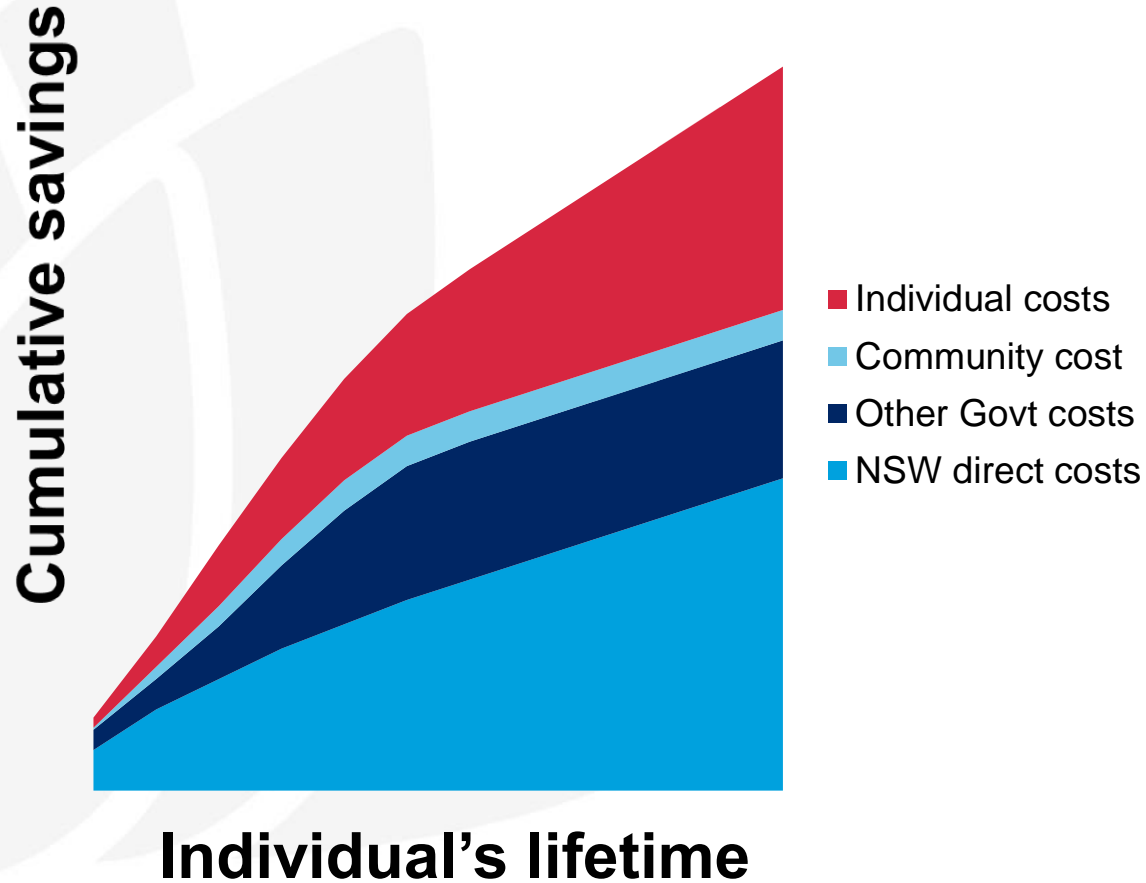
# Feasibility – financial viability

**Delivering better outcomes and cost savings:**

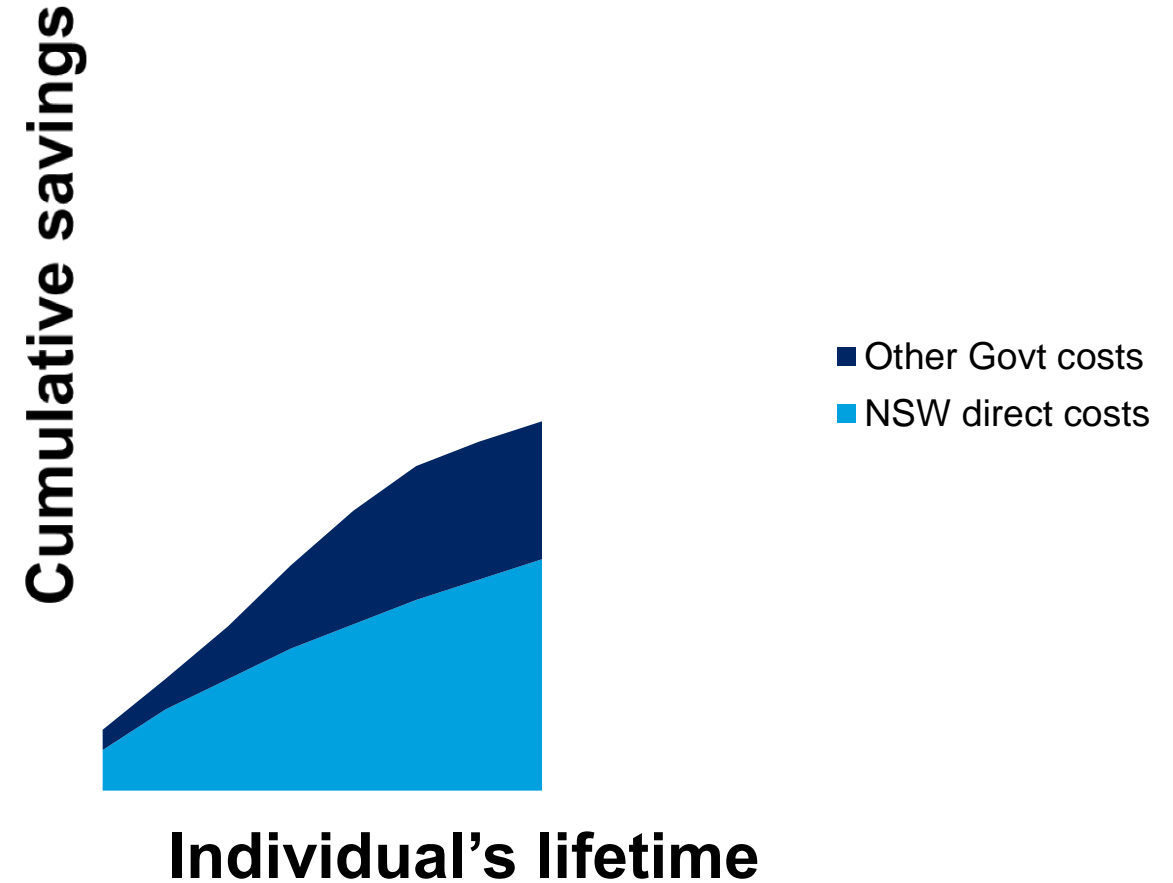


# Feasibility - cost savings

## Total cost savings:

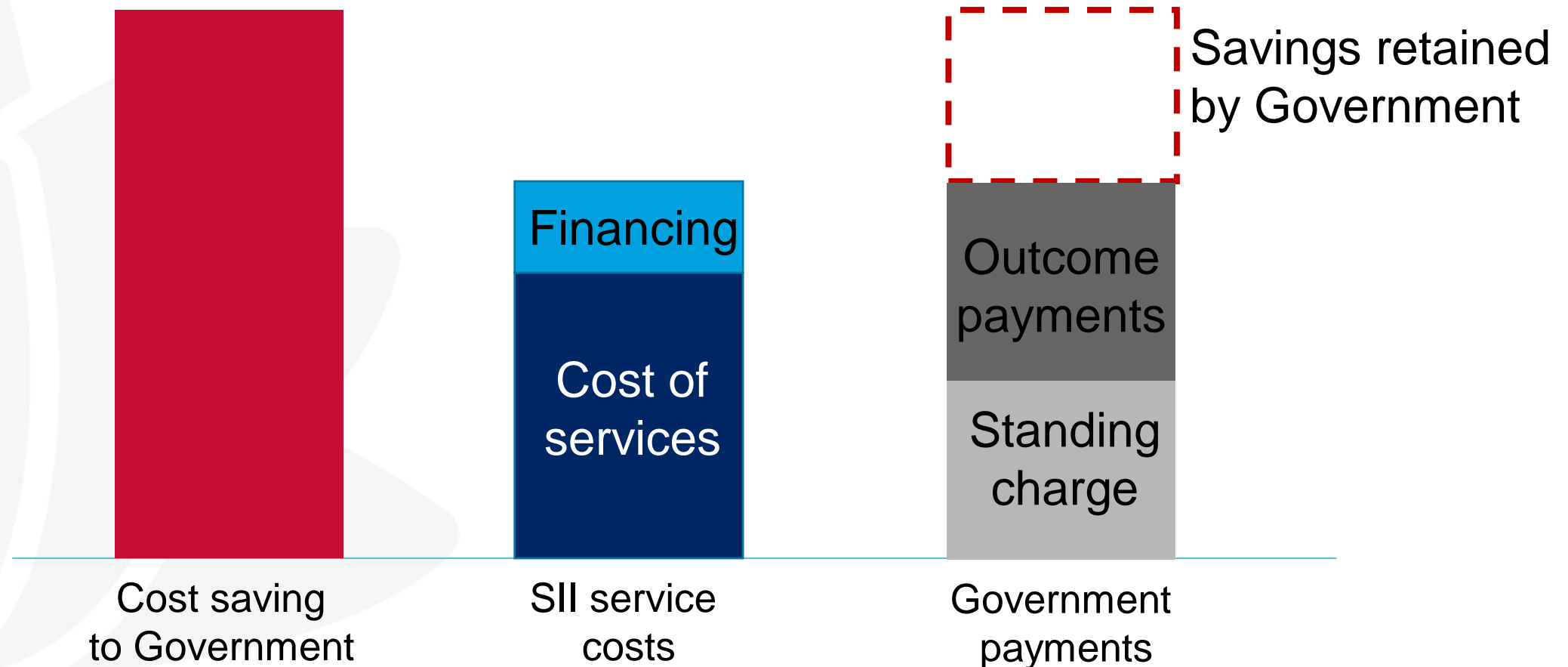


## Included cost savings:



# Feasibility – financial viability

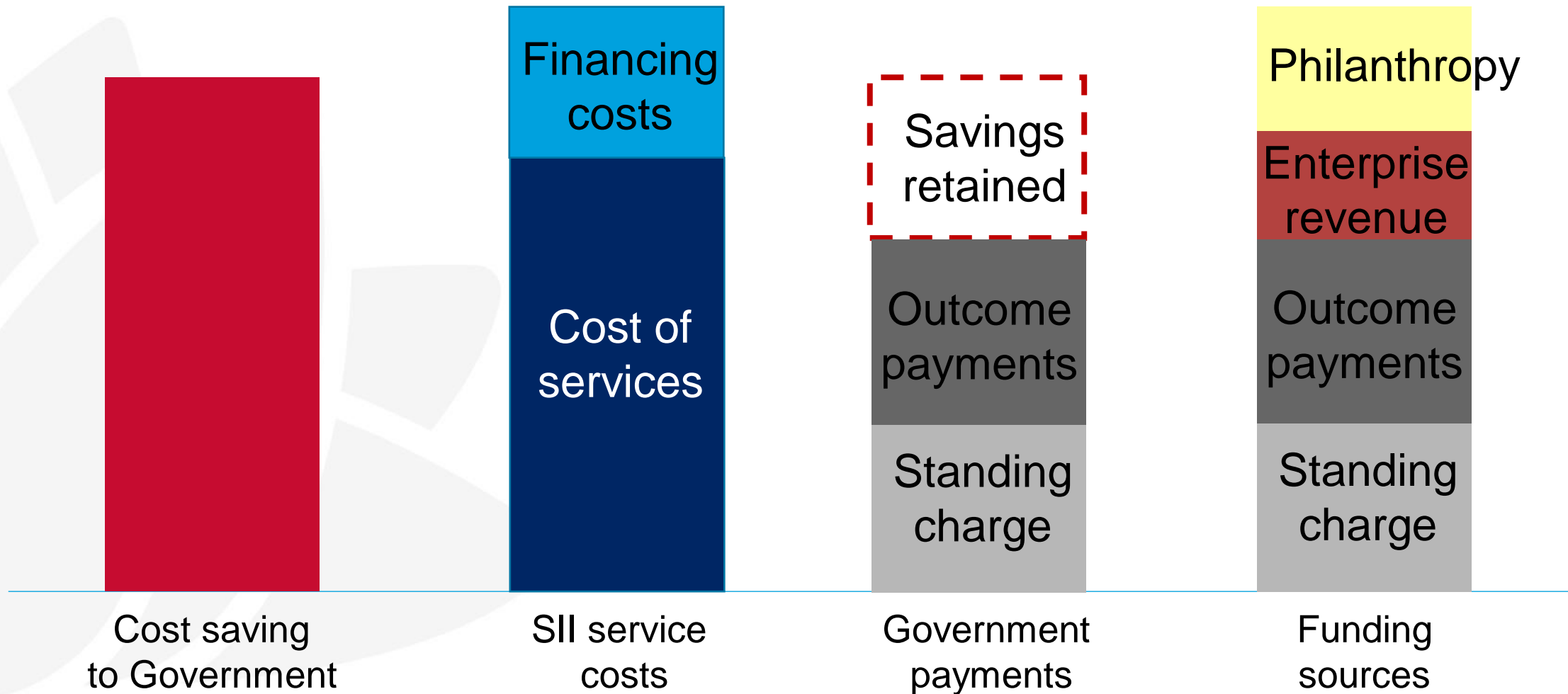
**Sharing the savings from better outcomes:**





# Feasibility – alternative funding

## Developing collaborative funding models:



# Principles for reflection

## Principles:

- Viability assessment is not purely financial. Need to explain rationale for each stakeholder
- Risks and rewards should be fair across a range of scenarios
- Risks should be borne by the party best placed to manage them

# Questions





[www.osii.nsw.gov.au](http://www.osii.nsw.gov.au)

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